

Message Text

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67

ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07
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R 091215Z DEC 76

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 374

INFO AMEMBASSY LONDON

AMEMBASSY ISLAMABAD

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E.O. 11652: NA

TAGS: EFIN, IR

SUBJ: IRAN'S EXTERNAL BORROWINGS-SITREP

1. THE INTEREST RATE MARGIN PROBLEM ANTICIPATED AND REPORTED IN REFTEL (PAR 6) CONCERNING THE LONG-PENDING GOI \$500 MILLION BORROWING AROSE IN RECENT DAYS AND CHASE MANHATTAN HAS CIRCULATED THE OTHER TEN PARTICIPATING BANKS, REQUESTING A RATE LOWER THAN THE 1 AND 3/8 OVER LIBOR WHICH HAS PREVAILED IN THE LOAN NEGOTIATIONS SINCE LATE SUMMER. THE LOCAL CITIBANK REPRESENTATIVE TOLD EMBOFF HIS LONDON OFFICE ADVISED HIM DECEMBER 9 THAT THE ISSUE OF LOAN JURISDICTION HAS ARISEN AGAIN DUE TO THE MINISTER OF JUSTICE'S CONDITIONAL STATEMENT--TO THE EFFECT THAT HE COULD NOT GUARANTEE WHAT INTERPRETATION THE GOI MIGHT GIVE AT A LATER TIME ALTHOUGH HE WOULD ACCEPT LONDON OR NEW YORK. THIS DIFFERS FROM THE CAHSE MANHATTAN REPRESENTATIVE'S READING DECEMBER 8 WHICH NOTED ONLY THE RATE PROBLEM.

2. ON NOVEMBER 30, MEAF UNDERSECRETARY ASHRAFI CALLED CHASE'S LONDON OFFICE AND REOPENED THE INTEREST RATE ISSUE. INITIALLY CHASE DECLINED HIS REQUEST TO APPROACH THE OTHER BANKS AND SUGGESTED HE GO TO LONDON AND MEET WITH THE BAKNS. (ALTHOUGH CHASE IS THE AGENT FOR THIS PLACEMENT, IT IS EARNING ONLY THE SAME 0.25 FRONT-END FEE AS THE OTHER PARTICIPANTS AND IS WEARY OF THE NOW UN-POPULAR ROLE IT HAS PLAYED.) IT IS NOW LIKELY AHRAFI AND CENTRAL
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BANK VICE GOVERNOR SHIRAZI WILL GO TO LONDON. WHILE NO SPECIFIC

NEW INTEREST RATE IS REQUESTED, IT IS THOUGHT THAT THE GOI WANTS ONE OR 1 AND 1/8 OVER LIBOR. CHASE ITSELF RECENTLY OFFERED TO MANAGE THE \$120 MILLION SYNDICATION FOR THE GOI'S INDUSTRIAL CREDIT BANK(PAR 7A, REFTEL)AT 1 AND 1/4 AND AT LEAST ONE BALK OFFERED 1 AND 1/8, FACTS, WHICH IN ADDITION TO THE VENEZUELAN EXPERIENCE, ARE NOT LOST ON ASHRAFI WHO SITS ON ICB BOARD.

3. THE CITIBANK REPRESENTATIVE REPORTS THAT THE GOI GUARANTEE OF PAKISTAN'S \$300 MILLION BORROWING CONTINUES TO BE DELAYED BY THE GOI'S \$500 MILLION BORROWING. ON DECEMBER 8 HE RECEIVED ANOTHER PRODDING FROM HIS COUNTERPART IN ISLAMABAD REFLECTING GOP IMPATIENCE.

4. THERE ARE NO NEW DEVELOPMENTS ON THE PROSPECTIVE BORROWINGS ENUMERATED IN PAR. 7, REFTEL, EXCEPT THE OFFERS BEING CONSIDERED BY THE ICB. IRAN'S FAVORABLE FOREIGN EXCHANGE POSITION UNDERSTANDABLY HAS NOT REDUCED THE RATHER RIGID AND ARROGANT POSTURE COMPAINED OF BY FOREIGN BANKERS. YET THE CONSENSUS OF BANKERS IS THAT IRAN SHOULD, FOR REASONS OF ESTABLISHING LONG-TERM GOODWILL AND FUNDS AVAILABILITY IN THE PRESENT MARKET, BORROW NOW FOR NEEDS KNOWN IN THE MDEIUM TERM. WHILE INTEREST RATES ARE FLOATING, AND THUS THE PRESENTLY LOW RATE PROVIDES ONLY SHORT-TERM ADVANTAGE UNTIL THE MARKET TIGHTENS, THE NEGOTIATION OF MARGINS, TERMS AND AMOUNTS WILL PROBABLY NOT BE BETTER. EVENTS WILL SHOW WHETHER OR NOT THE GOI AGREES WITH AND ACTS ON THIS AALYSIS.
HELMS

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